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POSTAL SAVINGS-BANKS.

BY GEORGE V. L. MEYER, POSTMASTER-GENERAL.

To encourage thrift in the wage-earner and person of small means, by affording a place for the deposit of the dime that otherwise "burns a hole in the pocket," is the prime object of postal savings-banks. The post-office is open early and late, and the day-laborer returning home on Saturday night with his week's pay finds the regular banks closed, but the saloon open. The post-office bank would attract some of his earnings and of the earnings of the other classes now accustomed to go to Uncle Sam's office for their stamps and letters, where they are received and treated cordially without discrimination. It is estimated that, within a few years, about \$500,000,000 would be deposited in this way; and, under the scheme which I have recommended to Congress, the money would be placed in the channels of trade through the instrumentality of the national banks.

Postal savings-banks are now in operation in England, Scotland, Ireland, Wales, Austria, Belgium, Canada, France, Hungary, India, Italy, the Netherlands, New South Wales, New Zealand, the Philippines, Queensland, Russia, South Australia, Sweden, Victoria, Japan, and the British, Dutch and French colonies. In Germany, the municipal savings-banks are under the jurisdiction of the Government and they are also considering the need of postal savings-banks.

Their establishment in the United States has been discussed since 1871; but their desirability and peculiar efficacy in averting financial panics was not appreciated by the business world generally until last fall, at which time the money received through the postal banks would have strengthened many institutions, for, as fast as withdrawals were made from the banks

and placed in the postal banks for safe-keeping, it would have been returned to the banks through the agency of the national banks. I advocated their creation as far back as last August.

In certain parts of our country, savings institutions are sufficiently numerous to accommodate the people, but such areas are quite limited, being confined to New England, New York and a few other States. It is alleged that, by reason of the number and location of savings-banks, there is a savings account to every two of the population of New England; while, in all the country outside New England and New York, the average is only one savings account to every 157 of the population. As the people of all sections of this country are pretty much the same in habits, inclinations and purposes, it must be obvious to the most casual observer that the people of the South, the Middle West and the West do not save their earnings as do those of New England from the lack of opportunity—that is, from the mere want of secure places in which deposit may be made.

The total amount of deposits in the savings-banks of this country is \$3,690,078,945. Of this amount, \$1,394,296,034 is in the State of New York; \$1,229,701,214 is in the New England States, \$694,081,142 being deposited in the State of Massachusetts; \$282,508,956 is in the State of California; \$159,174,012 is in the State of Pennsylvania; \$194,668,858 is in the State of Illinois; \$135,370,436 is in the State of Iowa, and but \$294,359,435 in the rest of the United States.

From these figures it will be seen that 38 per cent. is in New York State; 33 per cent. is in the New England States, about 19 per cent. being in Massachusetts; about 8 per cent. in California; 4 per cent. in Pennsylvania; 5 per cent. in Illinois; nearly 4 per cent. in Iowa, and about 8 per cent. in all the remaining States.

It has been computed that, in the New England States, the post-office averages only about fifteen miles from the savings-bank, the distance in the Middle States being twenty-five miles, in the Southern States thirty-three miles, and in the States west of the Rockies fifty-five miles.

To those who fear that these postal banks or depositories will invade the domain of savings-banks or commercial banks, experience in other countries should be sufficient assurance to the contrary. If, as in England, the law should provide for the

merging of postal deposits in Government bonds and the use of all postal funds by the Government, it might follow that a great and needless concentration of money in the Government vaults might occur; but, under the terms of the bill before Congress, such concentration cannot occur. On the contrary, the inevitable tendency must be to keep all of the available money of the country in active circulation in the localities where it is brought to the post-office. Undoubtedly, there are millions of dollars withheld from banks and placed in hiding because of lack of confidence in the banks, or else because the amount in hand is considered too trifling and small to bring to a bank.

Instead of injuring present financial institutions, it would be of great benefit to them and would strengthen their position. Any depositor who at present has dealings with a savings-bank and is getting four per cent. interest would not take his deposit away, and thereby reduce his income one-half by placing it in the post-office. The individual who opens an account with a National or State bank or trust company has the advantage of a check-book, enabling him to pay his bills in a convenient manner, and to have his paper and that of his customers or clients discounted. None of these advantages would accrue to a depositor in the postal savings-bank. Again, when the depositor had accumulated money to the amount of two hundred or three hundred dollars, he would in all probability withdraw it and place it in a savings-bank, where he could obtain much larger returns. Furthermore, in times of nervous fright it would be a benefit to banking institutions (should the depositor place it with the postal savings-bank instead of withdrawing it for the purpose of putting it in hiding), as it would be deposited immediately with the local national bank, thus strengthening that institution and the community.

More than seven million immigrants landed in this country during the past ten years, and it has been demonstrated that in the aggregate immense sums of money have been hoarded or sent away by these people. In many instances, it has been found that, for want of postal savings-banks, money orders are being bought, payable to the purchaser, which are good for one year. There can be no question as to the advisability of encouraging the foreigners within our borders to make such disposition of their savings as will result in a benefit to the communities in

which they are employed. Most of these people come from countries in which postal savings-banks have been long established, and they have little confidence in any depository for savings which is not absolutely vouched for by the Government. In the year ended January 1st, 1908, money orders amounting to \$94,892,716 left this country to replenish foreign coffers; and, in addition, many millions were undoubtedly sent through the agency of banks and express companies. Of course, not all of this money was sent by our foreign population, but the greater part of it certainly represented their savings. In fact, it has been brought to my attention that money of the immigrants, on account of its possessors being ignorant of our language and suspicious of our private institutions, is being sent home that it may be placed in the postal savings-banks of their native countries.

To show just what these foreigners are doing, I quote the following from a report of a post-office inspector:

"One week ago, an Italian went to East Liberty Station (Pittsburg) and made out applications for ten money orders of \$100 each. He shoved the applications, \$1,000, and fees through the window and started away. The clerk called to him to come back and get the orders. His answer was that he hadn't time to wait, but would call for the orders later. His faith in the Government was such that he left his thousand dollars without a receipt of any kind. On Tuesday, a foreigner at the main office here arranged to buy \$1,000 worth of money orders. These orders cost him three dollars. He said he was afraid of banks and a safe deposit box would cost him five dollars a year. He could hold these orders for a year, and then cash them, saving two dollars, or he could hold them for seven years. After the first year, payment is made only on a Department warrant, which takes time. This morning, a man at Arsenal Station bought \$400 worth of orders, which he said he intended to hold for a year."

The foreign settler should be induced to deposit his earnings in this country, because, after he had accumulated a few hundred dollars, he would not be content to receive merely two per cent. interest, but would either place it in a savings-bank at four per cent., or possibly seek to purchase a home; and, the moment he acquired real property here, he would become a more conservative citizen, would be actively interested in the affairs of the nation, and at the same time would place himself and his dependents beyond the likelihood of becoming public charges. Should his

earnings remain in the postal savings-banks, however, the fact that he had an interest in the Government and something at stake would tend to make him a more desirable citizen.

Under the bill now before Congress, the Postmaster-General is given authority to designate all money-order post-offices (about forty thousand in number) to receive deposits of money for savings.

Accounts may be opened by any person of the age of ten years, and a married woman may open an account free from interference by her husband. A trustee may open an account for another person. No person can open more than one savings account except when acting as trustee for another individual.

A depositor's pass-book will be delivered to each depositor in which the name and other memoranda for identification will be entered, and entry of all deposits shall be made.

One dollar or a larger amount in multiples of ten cents will be necessary to open an account, but deposits of ten cents or multiples thereof will be received after an account is opened.

Upon receiving a deposit, the postmaster is required to enter the same in the pass-book of the depositor and immediately notify the Postmaster-General of the amount of the deposit and the name of the depositor. The Postmaster-General, upon receipt of such notice, is required to send an acknowledgment thereof to the depositor, which acknowledgment shall constitute conclusive evidence of the making of such deposit and serve as a check on the postmaster receiving the deposit.

Interest is allowed at the rate of two per cent. *per annum*, computed annually on the average deposit during each quarter of the year. One thousand dollars is the maximum deposit allowed to the credit of any one person; more than two hundred dollars cannot be deposited in any one month, but interest will not be paid on any amount to the credit of an account in excess of five hundred dollars.

Postal savings-bank funds are to be deposited by the Postmaster-General in national banks located as near as may be in the neighborhood where such deposits are received, at a rate of interest not less than two and a quarter per cent. *per annum*. If deposits cannot be made in national banks at the specified rate of interest, which is not anticipated, the Postmaster-General may, with the approval of the Secretary of the Treasury and the

Attorney-General, invest in State, Territorial, county or municipal bonds. As the Post Office Department is a preferred creditor, it will not demand collateral from the banks in the way of bonds, on deposits which do not exceed the capital of the national bank.

I confidently believe that a postal savings-bank law will be enacted at the next session of Congress, and I have had assurances from more than a majority of the Senators that they will support the measure. The bill has been set for debate beginning on December 14th, and Senator Carter, who has charge of the measure, has every belief that it will pass. It was unanimously reported favorably by the Senate Committee on Post Offices and Post Roads. The Republican National Convention has just declared in its favor in the Party Platform. The Post Office Department looks for speedy action on the part of the House, because the people are demanding it, as they have a right to do, and as the proposition is better understood opposition ceases.

I desire to repeat that, while postal banks are primarily in the interest of the wage-earner, they will also be mutually beneficial to labor and capital, and prevent the hoarding of money throughout the country.

GEORGE V. L. MEYER.